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Memorandum of Understanding

For Execution of Kirthai-II (930 MW), Sawalkot (1856 MW), Uri-II (Stage-II 240MW), and Dulhasti (Stage-II 258 MW) Hydroelectric Projects in Jammu and Kashmir

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This Memorandum of Understanding is made on this 3rd day of January, 2021 between:

Jammu & Kashmir State Power Development Corporation Limited (JKSPDCL), a company incorporated under the Companies Act, 1956 (now Companies Act 2013) having its registered office at Exhibition Ground, Srinagar – 190001; through its Managing Director, which expression shall include his successors, executors, administrators and assign(s) of the first part;

National Hydroelectric Power Corporation (NHPC) Ltd., a company incorporated under the Companies Act, 1956 and also a Generating & Power Trading company within the meaning of the Electricity Act, 2003, having its registered office at NHPC Office Complex, Sector – 33, Faridabad, Haryana 121003; through its Chairman and Managing Director, which expression shall include his successors, executors, administrators and assign(s) of the second part;

Whereas, Jammu and Kashmir has a vast potential for generation of hydro power

Whereas in order to reap the benefits of this potential it is important to develop as many hydropower projects and as quickly as possible

Whereas the National Hydroelectric Power Corporation (NHPC) Ltd through its numerous communications and meetings has offered to partner with and assist the Jammu & Kashmir State Power Development Corporation Limited (JKSPDCL), in harnessing the hydroelectric potential of Jammu and Kashmir through various mechanisms including Joint Venture Company, BOOT model etc.

Whereas the Jammu & Kashmir State Power Development Corporation Limited (JKSPDCL), and the National Hydroelectric Power Corporation (NHPC) Ltd., have earlier already signed a number of MoUs on execution of hydropower projects in Jammu and Kashmir

Now, therefore, this Memorandum of Understanding between the Jammu & Kashmir State Power Development Corporation Limited (JKSPDCL), and the National Hydroelectric Power Corporation (NHPC) Ltd., sets out the principles of execution and collaboration between the parties for execution of Kirthai-II (930

MW), Sawalkot (1856 MW), Uri-I (Stage-II) (240MW) and Dulhasti (Stage-II 258 MW), Hydropower Projects in Jammu and Kashmir

I. Kirthai-II 930 MW

1. The 930 MW Kirthai-II project shall be executed in Joint Venture Company mode.
 - a. The project shall be executed by Chenab Valley Power Projects (P) Ltd. (A Joint Venture Among NHPC Limited, JKSPDCL And PTC India Ltd) on the same terms and conditions as have been agreed for Pakaldul, Kiru and Kwar HEPs.
 - b. The equity contribution of the Jammu & Kashmir State Power Development Corporation Limited (JKSPDCL) shall be provided by the Government of India as grant who shall also provide subordinate debt for the project, if the same is needed.

II. Uri-I (Stage-II 240 MW), Dulhasti (Stage-II 258 MW) and 1856 MW Sawalkot HEP

a) Uri-I (Stage-II 240 MW),

Stage I of Uri HE Project (480 MW) was allotted to NHPC Limited and was commissioned in 1997. In view of the fact that Stage I of this project was allotted to NHPC Limited and is operating successfully and after considering technical and operational aspects, Stage II of this project viz. Stage-II Uri I shall be executed by NHPC Limited on BOOT basis.

b) Dulhasti (Stage-II 258 MW)

Dulhasti (Stage-I 390 MW) was allotted to NHPC Limited and is currently operating successfully. In view of the request made by NHPC, recommendations of the BoD of JKSPDCL and after considering operational aspects, cost efficiency, construction and operational ease and to ensure synergy with Phase 1 of the project, economies of scale and scope, the parties principally agree that Stage II of Dulhasti (Stage-II 258 MW) may also be executed by NHPC Limited on BOOT basis. Further, considering that execution of II Phase of Dulhasti Hydroelectric project has been already entrusted to

M/S CVPPPL of which NHPC Ltd. is a promoter, the above in-principle agreement is subject to the condition that necessary approvals from the respective competent authorities as well as Boards of Directors of the parties and passing of suitable resolutions (including withdrawal from the current allottee) would be ensured by the parties before the above is effected.

c) **1856 MW Sawalkot HEP**

1856 MW Sawalkot Project was allotted to NHPC for execution but was subsequently taken back by JKSPDCL. In view of the huge investment involved in the Project and a need to make it commercially viable, the 1856 MW Sawalkot Project shall be executed by NHPC on BOOT basis.

III. **The allotment of projects at Para II above shall be subject to the following conditions: -**

1. The projects shall be executed by NHPC on BOOT basis for a period of 40 years
2. The projects shall be allotted on an "as is where is basis"
 - a. All costs including costs of survey/investigation, land acquisition, R&R, DPRs already prepared, costs of works already executed or ongoing in the project(s) shall be the responsibility of the project developer/executing agency viz. NHPC. Costs already incurred on these projects for completed and/or ongoing works shall be reimbursed to JKSPDCL or Govt. of Jammu and Kashmir. Detailed modalities shall be worked out mutually by both the parties.
 - b. In the case of Sawlakot HEP, any liability arising out of any administrative, judicial or quasi judicial order including arbitral awards flowing from previous contracts/completed works shall not be the liability of NHPC. However, this shall not be applicable to DPR costs and to works that were awarded before the signing of this MoU but are still under execution. Detailed modalities shall be worked out mutually by both the parties.

3. The projects will be handed over back to Govt. of Jammu and Kashmir after 40 years of commercial operation with specified generation capacity and free from all encumbrances.
4. It shall also be the responsibility of the executing agency, NHPC to appropriately structure the projects technically and financially to make them viable.
5. The Govt of Jammu and Kashmir shall be entitled to all extant cesses and taxes including water cess, as well as free power and Local area development fund (LADF) from the project as per extant rules/policy (currently at 12% and 1% respectively). It shall also be entitled to all other taxes, cesses and other receivables as per extant laws of Government of J&K and Government of India.
6. NHPC shall also ensure Corporate Social Responsibility (CSR) spending in the project area/UT of J&K as per the provisions of the Companies Act.
7. Group A&B staff in the projects shall be deployed by way of the deputation from NHPC, JKSPDCL/Departments of Govt of Jammu and Kashmir or through recruitment as per DPE norms.
8. Eighty percent (80%) of new recruitment Group C&D staff for the project shall be for domiciles of Jammu and Kashmir subject to their suitability, availability and eligibility. Out of this, ten percent (10%) of the staff shall be recruited from Project Affected Families (PAF), subject to suitability, availability and eligibility.
9. All non-project revenue receipts including but not limited to receipts on account of sale of timber, royalty on river bed materials etc. arising as a result of the submergence of the area by the Project shall accrue to Govt of Jammu and Kashmir Rights in fisheries, navigation, exploitation of tourism potential etc. in respect of the ponds created by the Project shall also vest with the GoJK.
10. The Govt of Jammu and Kashmir shall be entitled to have first right of refusal for purchase of 50% of power generated from these projects at the price determined as per regulatory norms.

IV. RENEWABLE ENERGY

The NHPC and JKSPDCL shall explore the possibility of developing the renewable energy potential of J&K including (but not limited to) solar, wind and small hydro projects either by expanding the scope of existing Joint Venture Companies or by creating a new Joint Venture Company. The detailed modalities shall be mutually worked out by the parties.

V. CAPACITY BUILDING AND TRAINING

The NHPC shall help in capacity building of engineers and staff of J&K with special attention to staff from PDD and JKSPDCL. This shall include but not be limited to trainings, site and exposure visits and short and long term deputations of J&K engineers and staff to NHPC.

VI. PROJECT MANAGEMENT CONSULTANCY AND SUPPORT

1. NHPC shall support PDD and its unbundled corporations and JKSPDCL with assistance and consultancy in Project Management (PMC) and monitoring, and related aspects including power trading.
2. The Memorandum of Understanding represents the in principle intention of the parties to move forward on the issue of development of hydropower and renewable energy in Jammu and Kashmir.
 - a. It is being signed subject to the condition the project executing agency shall ascertain and ensure the economic viability of the project(s) first and any PIB/CCEA proposal in respect of any of these project(s) shall be put up for the consideration of consideration of PIB/CCEA only after ascertaining the economic viability of each of such project(s) based on its examination by the Central Electricity Authority (CEA) and the Ministry of Power.
 - b. In order to ensure the above, the two parties may further enter into any detailed discussions and take decisions through mutual agreement.
 - c. The MoU would be valid for a period of two years from the date of its signing or until the signing of a formal agreement (with detailed and

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mutually agreed terms and conditions), whichever is earlier, either between the parties or between the Government of Jammu and Kashmir and Ministry of Power, Government of India.

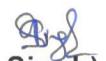
- d. Any disputes as to interpretation of the clauses of this MoU shall be resolved mutually by the parties.

Signed this day the 3rd January, 2021 at Jammu

For and on the behalf of
**Jammu and Kashmir State Power
Development Corporation Ltd**


(Raja Yaqoob Farooq), IRS-IT
Managing Director,
Jammu and Kashmir State Power
Development Corporation Ltd.

For and on the behalf of
NHPC Ltd


(A.K. Singh)
Chairman & Managing Director,
NHPC Ltd.